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REFERENCE TITLE: **loan originator licensing**

State of Arizona  
Senate  
Forty-sixth Legislature  
First Regular Session  
2003

## **SB 1346**

Introduced by  
Senator Weiers

### **AN ACT**

AMENDING SECTIONS 6-122, 6-126, 6-901, 6-903, 6-941 AND 6-943, ARIZONA REVISED STATUTES; AMENDING TITLE 6, CHAPTER 9, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 4; CHANGING THE DESIGNATION OF TITLE 6, CHAPTER 9, ARIZONA REVISED STATUTES, TO "MORTGAGE BROKERS, MORTGAGE BANKERS AND LOAN ORIGINATORS"; RELATING TO MORTGAGE BROKERS, MORTGAGE BANKERS AND LOAN ORIGINATORS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 6-122, Arizona Revised Statutes, is amended to  
3 read:

4 6-122. Superintendent; authority; duties; exemption

5 A. The superintendent has the authority and responsibility for the  
6 discharge of all duties imposed by law on the department.

7 B. The superintendent shall:

8 1. Examine or cause to be examined each financial institution  
9 annually, except financial institution holding companies, banks, savings and  
10 loan associations and consumer lenders, and more frequently if the  
11 superintendent considers it necessary.

12 2. Examine or cause to be examined each bank and savings and loan  
13 association at the superintendent's discretion but at least once in every  
14 twenty-four month period.

15 3. Examine or cause to be examined the business and affairs of any  
16 enterprise and any consumer lender for the purpose of administering and  
17 enforcing this title at the superintendent's discretion but at least once in  
18 a five year period.

19 4. Examine or cause to be examined financial institution holding  
20 companies as frequently as the superintendent considers necessary to  
21 administer and enforce this title.

22 5. Notwithstanding paragraph 3 ~~of this subsection~~, examine or cause to  
23 be examined the accounts held in trust by each escrow agent at least once in  
24 every two year period in accordance with section 20-1593 and examine or cause  
25 to be examined each escrow agent at least once in every four year period or  
26 more frequently if the superintendent considers it necessary.

27 6. Notwithstanding paragraph 3 ~~of this subsection~~, examine or cause to  
28 be examined each premium finance company at least once in every three year  
29 period and more frequently if the superintendent considers it necessary.

30 7. Publish a consumer information brochure ~~which~~ THAT includes:

31 (a) The finance charges permitted by this state.

32 (b) The types of insurance ~~which~~ THAT may be offered but THAT are not  
33 required by law to be purchased with the granting of a loan.

34 (c) Interest rate limitations on all lenders including amounts ~~which~~  
35 THAT may not be charged to borrowers.

36 (d) Consumer rights and means of recourse from unfair practitioners.

37 8. Conduct a survey in January and July of each calendar year of each  
38 escrow agent that is regulated by the department. The superintendent shall  
39 compile the results of each survey and make those results available to the  
40 public. The survey shall be in substantially the following format:

41 "Please rate the performance of the state banking department as one of  
42 the following: excellent, very good, good, fair, poor.

43 Please describe any problems that you believe should be addressed by  
44 the department."

1 C. Notwithstanding subsection B, paragraph 5 of this section an escrow  
2 agent shall be examined within twelve months when an escrow agent's license  
3 is transferred or assigned pursuant to section 6-813 or when control of the  
4 license is otherwise acquired.

5 D. The provisions of subsection B, paragraph 3 of this section do not  
6 apply to motor vehicle dealers, sales finance companies, **LOAN ORIGINATORS** or  
7 persons licensed under chapter 12 of this title.

8 Sec. 2. Section 6-126, Arizona Revised Statutes, is amended to read:

9 **6-126. Application fees for financial institutions and**  
10 **enterprises**

11 A. The following nonrefundable fees are payable to the department with  
12 the filing of the following applications:

13 1. To apply for a banking permit, ten thousand dollars.

14 2. To apply for an amendment to a banking or savings and loan  
15 association permit, one thousand dollars.

16 3. To establish each banking branch office, one thousand five hundred  
17 dollars.

18 4. To move a banking office to other than an established office of a  
19 bank, one thousand dollars.

20 5. To apply for a savings and loan association permit, ten thousand  
21 dollars.

22 6. To establish each savings and loan association branch office, one  
23 thousand five hundred dollars.

24 7. To move an office of a savings and loan association to other than  
25 an established office, one thousand dollars.

26 8. To organize and establish a credit union, one hundred dollars.

27 9. To establish each credit union branch or credit union freestanding  
28 automated teller machine or to move a credit union office to other than an  
29 established office of a credit union, two hundred fifty dollars.

30 10. To organize and establish any other financial institutions for  
31 which an application or investigation fee is not otherwise provided by law,  
32 two thousand five hundred dollars.

33 11. To acquire control of a financial institution, other than a  
34 consumer lender, five thousand dollars.

35 12. To apply for a trust company license, five thousand dollars.

36 13. To apply for a commercial mortgage banker, mortgage banker, escrow  
37 agent or consumer lender license, one thousand five hundred dollars.

38 14. To apply for a mortgage broker, sales finance company or debt  
39 management company license, eight hundred dollars.

40 15. To apply for a collection agency license, one thousand five hundred  
41 dollars.

42 16. To apply for a deferred presentment company license, one thousand  
43 dollars.

44 17. To apply for a motor vehicle dealer license, three hundred dollars.

1       18. To apply for a branch office of an escrow agent, consumer lender,  
2 commercial mortgage banker, mortgage banker, trust company, money  
3 transmitter, collection agency or deferred presentment company, five hundred  
4 dollars.

5       19. To apply for a branch office of a mortgage broker, debt management  
6 company or sales finance company, two hundred fifty dollars.

7       20. To apply for approval of the articles of incorporation of a  
8 business development corporation, five hundred dollars.

9       21. To establish each freestanding automated teller machine, not  
10 otherwise provided by law, five hundred dollars.

11       22. To apply for approval for the merger or consolidation of two or  
12 more financial institutions, five thousand dollars per institution.

13       23. To apply for approval to convert from a national bank or federal  
14 savings and loan charter to a state chartered institution, five thousand  
15 dollars.

16       24. To apply for approval to convert from a federal credit union to a  
17 state chartered credit union, one thousand dollars.

18       25. To apply for approval to merge or consolidate two or more credit  
19 unions, five hundred dollars per credit union.

20       26. To move an established office of an enterprise to other than an  
21 established office, fifty dollars.

22       27. To issue a duplicate or replace a lost enterprise's license, one  
23 hundred dollars.

24       28. To change a responsible person on a mortgage broker's, commercial  
25 mortgage banker's or a mortgage banker's license, two hundred fifty dollars.

26       29. To change an active manager on a collection agency license or a  
27 manager of a money transmitter branch office license, two hundred fifty  
28 dollars.

29       30. To change the licensee name on a financial institution or  
30 enterprise license, two hundred fifty dollars.

31       31. To apply for a money transmitter license, one thousand five hundred  
32 dollars plus twenty-five dollars for each branch office and authorized  
33 delegate to a maximum of four thousand five hundred dollars.

34       32. To acquire control of any money transmitter or controlling person  
35 pursuant to chapter 12 of this title, two thousand five hundred dollars.

36       33. To receive the following publications:

37       (a) Quarterly bank and savings and loan statement of condition, not  
38 more than ten dollars per copy.

39       (b) Monthly summary of actions report, not more than five dollars per  
40 copy.

41       (c) A list of licensees, a monthly pending actions report and all  
42 other in-house prepared reports or listings made available to the public, not  
43 more than one dollar per page.

44       34. TO APPLY FOR A LOAN ORIGINATOR LICENSE, TWO HUNDRED FIFTY DOLLARS.

1           B. On issuance of a license or permit for a financial institution or  
2 enterprise, the superintendent shall collect the first year's annual  
3 assessment or ANNUAL OR BIENNIAL renewal fee for the financial institution or  
4 enterprise prorated according to the number of quarters remaining until the  
5 date of the next annual OR BIENNIAL assessment or renewal.

6           C. The following annual renewal fees shall be paid each year:

7           1. For an escrow agent, or trust company, one thousand dollars plus  
8 two hundred fifty dollars for each branch office.

9           2. For a debt management company or sales finance company, five  
10 hundred dollars plus two hundred dollars for each branch office.

11           3. For a collection agency, six hundred dollars plus two hundred  
12 dollars for each branch office.

13           4. For a motor vehicle dealer, one hundred fifty dollars.

14           5. For an inactive mortgage broker, two hundred fifty dollars.

15           6. For a mortgage banker that negotiates or closes in the aggregate  
16 one hundred loans or less in the immediately preceding calendar year, seven  
17 hundred fifty dollars, and for a mortgage banker that negotiates or closes in  
18 the aggregate over one hundred loans in the immediately preceding calendar  
19 year, one thousand two hundred fifty dollars. In addition, a mortgage banker  
20 shall pay two hundred fifty dollars for each branch office.

21           7. For a commercial mortgage banker, one thousand two hundred fifty  
22 dollars. In addition, a commercial mortgage banker shall pay two hundred  
23 fifty dollars for each branch office.

24           8. For a mortgage broker that negotiates or closes in the aggregate  
25 fifty loans or less in the immediately preceding calendar year, two hundred  
26 fifty dollars and for a mortgage broker that negotiates or closes in the  
27 aggregate more than fifty loans in the immediately preceding calendar year,  
28 five hundred dollars. In addition, a mortgage broker shall pay two hundred  
29 dollars for each branch office.

30           9. For a consumer lender, one thousand dollars plus two hundred  
31 dollars for each branch office.

32           10. For a money transmitter, five hundred dollars plus twenty-five  
33 dollars for each branch office and each authorized delegate to a maximum of  
34 two thousand five hundred dollars.

35           11. For a deferred presentment company, four hundred dollars. In  
36 addition, a deferred presentment company shall pay two hundred dollars for  
37 each branch office.

38           D. The license, renewal or branch office permit fee for a premium  
39 finance company for each calendar year or part thereof shall not be less than  
40 one hundred dollars or more than three hundred dollars as set by the  
41 superintendent. If the license is issued or the branch office is opened  
42 after June 30 in any year the fees shall not be less than fifty dollars or  
43 more than one hundred fifty dollars for that year.

44           E. THE BIENNIAL RENEWAL FEE FOR A LOAN ORIGINATOR IS TWO HUNDRED  
45 DOLLARS.

F. THE BIENNIAL INACTIVE STATUS RENEWAL FEE FOR A LOAN ORIGINATOR IS TWO HUNDRED DOLLARS.

Sec. 3. Section 6-901, Arizona Revised Statutes, is amended to read:

6-901. Definitions

In this article, unless the context otherwise requires:

1. "Affiliate" means an entity which directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the entity specified.

2. "Compensation" means anything of value or any benefit including points, commissions, bonuses, referral fees, loan origination fees and other similar fees but excluding periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time.

3. "CONTINUING EDUCATION UNIT" MEANS A CONTINUING EDUCATION COURSE THAT RELATES TO THE MORTGAGE INDUSTRY OR TO MORTGAGE TRANSACTIONS.

~~3-~~ 4. "Investor" means a person who lends or invests money in mortgage loans.

~~4-~~ 5. "License" means a license issued under this article.

~~5-~~ 6. "Licensee" means a person licensed under this article.

7. "LOAN ORIGINATOR" MEANS A NATURAL PERSON WHO IS AN EMPLOYEE OF A MORTGAGE BROKER AND WHO DIRECTLY OR INDIRECTLY SOLICITS BORROWERS FOR THE PURPOSE OF MAKING LOANS.

~~6-~~ 8. "Mortgage broker" means a person who is not exempt under section 6-902 and who for compensation or in the expectation of compensation either directly or indirectly makes, negotiates or offers to make or negotiate a mortgage loan.

~~7-~~ 9. "Mortgage loan" means a loan secured by a mortgage or deed of trust or any lien interest on real estate located in this state created with the consent of the owner of the real estate.

~~8-~~ 10. "Mortgage loan closing" means the day by which all documents relating to the mortgage loan have been executed and recorded and all monies have been accounted for under the terms of the escrow instructions.

Sec. 4. Section 6-903, Arizona Revised Statutes, is amended to read:

6-903. Licensing of mortgage brokers required; qualifications; application; bond; fees; renewal

A. A person shall not act as a mortgage broker if he is not licensed under this article.

B. The superintendent shall not grant a mortgage broker's license to a person, other than a natural person, who is not registered to do business in this state on the date of granting the license. An applicant for an original mortgage broker's license shall:

1. Have not less than three years' experience as a mortgage broker, or equivalent lending experience in a related business during the five years immediately preceding the time of application.

1           2. Have satisfactorily completed a course of study approved by the  
2 superintendent during the three years immediately preceding the time of  
3 application.

4           3. Have passed a mortgage broker's test, pursuant to section 6-908,  
5 not more than one year before the granting of the license.

6           C. A person shall make an application for a license or for a renewal  
7 of a license in writing on the forms, in the manner and accompanied by the  
8 information prescribed by the superintendent. The superintendent may require  
9 additional information on the experience, background, honesty, truthfulness,  
10 integrity and competency of the applicant and any responsible individual  
11 designated by the applicant. If the applicant is a person other than a  
12 natural person, the superintendent may require information as to the honesty,  
13 truthfulness, integrity and competency of any officer, director, shareholder  
14 or other interested party of the association, corporation or group.

15           D. The nonrefundable application fee and annual renewal fee are as  
16 prescribed in section 6-126. The nonrefundable application fee shall  
17 accompany each application for an original license only. The superintendent  
18 shall deposit, pursuant to sections 35-146 and 35-147, the monies in the  
19 state general fund.

20           E. If a licensee is a person other than a natural person, the license  
21 issued to it entitles all officers, directors, members, partners, trustees  
22 and employees of the licensed corporation, partnership, association or trust  
23 to engage in the mortgage business if one officer, director, member, partner,  
24 employee or trustee of the person is designated in the license as the  
25 individual responsible for the person under this article. If a licensee is a  
26 natural person, the license entitles all employees of the licensee to engage  
27 in the mortgage business. If the natural person is not a resident of this  
28 state, an employee of the licensee shall be designated in the license as the  
29 individual responsible for the licensee under the provisions of this  
30 article. For purposes of this subsection an employee does not include an  
31 independent contractor. A responsible individual shall be a resident of this  
32 state, shall be in active management of the activities of the licensee  
33 governed by this article and shall meet the qualifications set forth in  
34 subsection B of this section for a licensee.

35           F. A licensee shall notify the superintendent that its responsible  
36 individual will cease to be in active management of the activities of the  
37 licensee within ten days of learning that fact. The licensee has ninety days  
38 after the notification is received by the superintendent within which to  
39 replace the responsible individual with a qualified replacement and to so  
40 notify the superintendent. If the license is not placed under active  
41 management of a qualified responsible individual and if notice is not given  
42 to the superintendent within the ninety day period, the license of the  
43 licensee expires.

44           G. Every person licensed as a mortgage broker shall deposit with the  
45 superintendent, before doing business as a mortgage broker, a bond executed

1 by the licensee as principal and a surety company authorized to do business  
2 in this state as surety. The bond shall be conditioned on the faithful  
3 compliance of the licensee, including his directors, officers, members,  
4 partners, trustees and employees, with this article. The bond is payable to  
5 any person injured by the wrongful act, default, fraud or misrepresentation  
6 of the licensee or his employees and to this state for the benefit of the  
7 person injured. Only one bond is required for any person, firm, association  
8 or corporation irrespective of the number of officers, directors, members,  
9 partners or trustees who are employed by or are members of such firm,  
10 association or corporation. No suit may be commenced on the bond after the  
11 expiration of one year following the commission of the act on which the suit  
12 is based, except that claims for fraud or mistake are limited to the  
13 limitation period provided in section 12-543, paragraph 3. If an injured  
14 person commences an action for a judgment to collect from the bond, the  
15 injured person shall notify the superintendent of the action in writing at  
16 the time of the commencement of the action and shall provide copies of all  
17 documents relating to the action to the superintendent on request.

18 H. The bond required by this section shall be ten thousand dollars for  
19 licensees whose investors are limited solely to institutional investors, and  
20 fifteen thousand dollars for licensees whose investors include any  
21 noninstitutional investors.

22 I. For THE purposes of subsection H of this section:

23 1. "Institutional investor" means a state or national bank, a state or  
24 federal savings and loan association, a state or federal savings bank, a  
25 state or federal credit union, a federal government agency or  
26 instrumentality, a quasi-federal government agency, a financial enterprise, a  
27 licensed real estate broker or salesman, a profit sharing or pension trust,  
28 or an insurance company.

29 2. "Investor" means any person who directly or indirectly provides  
30 funds to a mortgage broker which funds are, or are intended to be, used in  
31 the making of a loan, and any person who purchases a loan, or any interest  
32 therein, from a mortgage broker or in a transaction that has been directly or  
33 indirectly arranged or negotiated by a mortgage broker.

34 J. Notwithstanding section 35-155, in lieu of the bond described in  
35 this section, an applicant for a license or a licensee may deposit with the  
36 superintendent a deposit in the form of cash or alternatives to cash in the  
37 same amount as the bond required under subsection G of this section. The  
38 superintendent may accept any of the following as an alternative to cash:

39 1. Certificates of deposits or investment certificates ~~which~~ THAT are  
40 payable or assigned to the state treasurer, issued by banks or savings banks  
41 doing business in this state and fully insured by the federal deposit  
42 insurance corporation or any successor institution.

43 2. Certificates of deposit, investment certificates or share accounts  
44 ~~which~~ THAT are payable or assigned to the state treasurer, issued by a



savings and loan association doing business in this state and fully insured by the federal deposit insurance corporation or any successor institution.

3. Certificates of deposit, investment certificates or share accounts ~~which~~ THAT are payable or assigned to the state treasurer, issued by a credit union doing business in this state and fully insured by the national credit union administration or any successor institution.

K. The superintendent shall deposit the cash or alternatives to cash received under this section with the state treasurer. The state treasurer shall hold the cash or alternatives to cash in the name of this state to guarantee the faithful performance of all legal obligations of the person required to post bond pursuant to this section. The person is entitled to receive any accrued interest earned from the alternatives to cash. The state treasurer may impose a fee to reimburse the state treasurer for administrative expenses. The fee shall not exceed ten dollars for each cash or alternatives to cash deposit and shall be paid by the applicant or licensee. The state treasurer may prescribe rules relating to the terms and conditions of each type of security provided by this section.

L. In addition to such other terms and conditions as the superintendent prescribes by rule or order, the principal amount of the deposit shall be released only on written authorization of the superintendent or on the order of a court of competent jurisdiction. The principal amount of the deposit shall not be released before the expiration of three years from the first to occur of any of the following:

1. The date of substitution of a bond for a cash alternative.
2. The surrender of the license.
3. The revocation of the license.
4. The expiration of the license.

M. A licensee or an employee of the licensee shall not advertise for or solicit mortgage business in any manner without using the name and license number as issued on the mortgage broker's principal place of business license, except that a licensee may employ or refer to the commonly used name and any trademarks or service marks of any affiliate. If a license is issued in the name of a natural person, nothing in the advertising or solicitation may imply the license is in the name of another person or entity. For the purpose of this subsection, "advertise" does not include business cards, radio and television advertising directed at national or regional markets and promotional items except if those items contain rates or terms on which a mortgage loan may be obtained.

N. A licensee shall not employ any person unless the licensee:

1. Conducts a reasonable investigation of the background, honesty, truthfulness, integrity and competency of the employee before hiring.
2. Keeps a record of the investigation for not less than two years after termination.

O. A license is not transferable or assignable and control of a licensee may not be acquired through a stock purchase or other device without

the prior written consent of the superintendent. Written consent shall not be given if the superintendent finds that any of the grounds for denial, revocation or suspension of a license as set forth in section 6-905 are applicable to the acquiring person. For the purpose of this subsection "control" means the power to vote more than twenty per cent of outstanding voting shares of a licensed corporation, partnership, association or trust.

P. The licensee is liable for any damage caused by any of his employees while acting as an employee of the licensee.

Q. A licensee shall comply with the requirements of section 6-114 relating to balloon payments.

R. The examination and course of study requirements of this section shall be waived by the superintendent for any person applying for a license who, within the six months immediately prior to the submission of the application, has been a licensee or a responsible person pursuant to this chapter.

S. IF THE APPLICANT FOR RENEWAL OF A MORTGAGE BROKER LICENSE IS A NATURAL PERSON, THE APPLICANT SHALL HAVE SATISFACTORILY COMPLETED TWELVE CONTINUING EDUCATION UNITS BEFORE SUBMISSION OF THE RENEWAL APPLICATION. IF THE APPLICANT IS OTHER THAN A NATURAL PERSON, THE DESIGNATED RESPONSIBLE INDIVIDUAL SHALL HAVE SATISFACTORILY COMPLETED TWELVE CONTINUING EDUCATION UNITS BEFORE SUBMISSION OF THE RENEWAL APPLICATION.

T. A LICENSEE WHO EMPLOYS A LOAN ORIGINATOR SHALL COMPLY WITH SECTION 6-994.

Sec. 5. Section 6-941, Arizona Revised Statutes, is amended to read:

6-941. Definitions

In this article, unless the context otherwise requires:

1. "Affiliate" means an entity which directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the entity specified.

2. "Compensation" means anything of value or any benefit including points, commissions, bonuses, referral fees, loan origination fees and other similar fees but excluding periodic interest resulting from the application of the note rate of interest to the outstanding principal balance remaining unpaid from time to time.

3. "CONTINUING EDUCATION UNIT" MEANS A CONTINUING EDUCATION COURSE THAT RELATES TO THE MORTGAGE INDUSTRY OR TO MORTGAGE TRANSACTIONS.

~~3.~~ 4. "License" means a license issued under this article.

~~4.~~ 5. "Licensee" means a person licensed under this article.

6. "LOAN ORIGINATOR" MEANS A NATURAL PERSON WHO IS AN EMPLOYEE OF A MORTGAGE BANKER AND WHO DIRECTLY OR INDIRECTLY SOLICITS BORROWERS FOR THE PURPOSE OF MAKING MORTGAGE LOANS.

~~5.~~ 7. "Mortgage banker" means a person who is not exempt under section 6-942 and who for compensation or in the expectation of compensation either directly or indirectly makes, negotiates or offers to make or negotiate a mortgage banking loan or a mortgage loan.

~~6-~~ 8. "Mortgage banking loan" means a loan ~~which~~ THAT is funded exclusively from the mortgage banker's own resources, ~~which~~ THAT is directly or indirectly secured by a mortgage or deed of trust or any lien interest on real estate located in this state and ~~which~~ THAT is created with the consent of the owner of the real property. For the purposes of this paragraph, "own resources" means any of the following:

(a) Cash, corporate capital, warehouse credit lines at commercial banks, savings banks or savings and loan associations or other sources that are liability items on the mortgage banker's financial statements for which its assets are pledged.

(b) Correspondent contracts between the mortgage banker and a bank, savings bank, trust company, savings and loan association, credit union, profit sharing or pension trust, consumer lender or insurance company.

(c) The mortgage banker's affiliates' cash, corporate capital, warehouse credit lines at commercial banks or other sources that are liability items on the affiliates' financial statements for which the affiliates' assets are pledged.

~~7-~~ 9. "Mortgage banking loan closing" means the day by which all documents relating to the mortgage banking loan or mortgage loan have been executed and recorded and all monies have been accounted for.

~~8-~~ 10. "Mortgage loan" means any loan, other than a mortgage banking loan, secured by a mortgage or deed of trust or any lien interest on real estate located in this state and created with the consent of the owner of the real estate.

Sec. 6. Section 6-943, Arizona Revised Statutes, is amended to read:

6-943. Licensing of mortgage bankers required; qualifications; application; bond; fees; renewal

A. A person shall not act as a mortgage banker if he is not licensed under this article.

B. The superintendent shall not grant a mortgage banker's license to a person, other than a natural person, who is not registered to do business in this state on the date of application for a license. The superintendent shall not issue a mortgage banker's license or a renewal of a license to an applicant unless the applicant meets all of the requirements prescribed in subsection C of this section. The superintendent shall determine whether the applicant meets the requirements based on the application, and evidence presented at a hearing, if any, or any other evidence that the superintendent may have regarding qualifications of the applicant.

C. In order to qualify for a mortgage banker license or a renewal of a license an applicant shall:

1. Have not fewer than three years' experience in the business of making mortgage banking loans or equivalent lending experience in a related business. If the applicant is a person other than a natural person, the responsible individual shall meet this requirement.

1           2. Have engaged or intend to engage in the business of making mortgage  
2 loans or mortgage banking loans.

3           3. Either:

4           (a) Be authorized to do business with any of the following:

5           (i) The federal housing administration.

6           (ii) The veterans administration.

7           (iii) The federal national mortgage association.

8           (iv) The federal home loan mortgage corporation.

9           (b) Notwithstanding paragraph 5 of this subsection, at all times have  
10 and maintain a net worth of not less than two hundred fifty thousand dollars.

11          4. Provide the superintendent with a current audited financial  
12 statement or that of its parent company prepared by an independent certified  
13 public accountant in accordance with generally accepted accounting principles  
14 including:

15          (a) The certified public accountant's opinion as to the fairness of  
16 the presentation in conformity with generally accepted accounting principles.

17          (b) A balance sheet prepared within the previous six months and  
18 certified by the licensee. The superintendent may require a more recent  
19 balance sheet.

20          (c) A statement of operations and retained earnings and a statement of  
21 changes in financial position provided the applicant has commenced  
22 operations.

23          (d) Notes to the financial statement if applicable.

24          5. At all times have and maintain a net worth of not less than one  
25 hundred thousand dollars.

26          D. A person shall make an application for a license or for a renewal  
27 of a license in writing on the forms, in the manner and accompanied by the  
28 information prescribed by the superintendent including the requirements  
29 prescribed in subsection C of this section. The superintendent may require  
30 additional information on the experience, background, honesty, truthfulness,  
31 integrity and competency of the applicant and any responsible individual  
32 designated by the applicant. If the applicant is a person other than a  
33 natural person, the superintendent may require information as to the honesty,  
34 truthfulness, integrity and competency of any officer, director, shareholder,  
35 member, partner, trustee, employee or other interested party of the  
36 association, corporation or group.

37          E. The nonrefundable application fee and annual renewal fee shall be  
38 as prescribed in section 6-126. The nonrefundable application fee shall  
39 accompany each application for an original license only.

40          F. If a licensee is a person other than a natural person, the license  
41 issued to it entitles all officers, directors, members, partners, trustees  
42 and employees of the licensed corporation, partnership, association or trust  
43 to engage in the mortgage banking business if one officer, director, member,  
44 partner, employee or trustee of the person is designated in the license as  
45 the individual responsible for the person under this article. If a licensee

1 is a natural person, the license entitles all employees of the licensee to  
 2 engage in the mortgage banking business. If the natural person is not a  
 3 resident of this state, an employee of the licensee shall be designated in  
 4 the license as the individual responsible for the licensee under the  
 5 provisions of this article. For the purposes of this article an employee  
 6 does not include an independent contractor. For the purposes of this  
 7 article, a responsible individual shall be a resident of this state, shall be  
 8 in active management of the activities of the licensee governed by this  
 9 article and shall have not less than three years' experience in the business  
 10 of making mortgage banking loans or equivalent experience in a related  
 11 business.

12 G. A licensee shall notify the superintendent that its responsible  
 13 individual will cease to be in active management of the licensee within ten  
 14 days of learning that fact. Not more than ninety days after the  
 15 superintendent receives the notice, the licensee shall place itself under the  
 16 active management of a qualified responsible person and notify the  
 17 superintendent. If the licensee is not placed under active management of a  
 18 qualified responsible individual and if notice is not received by the  
 19 superintendent within the ninety day period, the license of the licensee  
 20 expires.

21 H. Every person licensed as a mortgage banker shall deposit with the  
 22 superintendent, before doing business as a mortgage banker, a bond executed  
 23 by the licensee as principal and a surety company authorized to do business  
 24 in this state as surety. The bond shall be conditioned on the faithful  
 25 compliance of the licensee, including his directors, officers, members,  
 26 partners, trustees and employees, with this article. Only one bond is  
 27 required for a person, firm, association or corporation irrespective of the  
 28 number of officers, directors, members, partners or trustees who are employed  
 29 by or are members of the firm, association or corporation. The bond is  
 30 payable to any person injured by the wrongful act, default, fraud or  
 31 misrepresentation of the licensee and to this state for the benefit of any  
 32 injured person. The coverage shall be maintained in the minimum amount  
 33 prescribed in this subsection, computed on a base consisting of the total  
 34 assets of the licensee plus the unpaid balance of loans which it has  
 35 contracted to service for others as of the end of the licensee's fiscal year.

Base	Minimum Bond
Not over \$1,000,000	\$25,000 for the first \$500,000 plus \$5,000 for each \$100,000 or fraction thereof over \$500,000
\$1,000,001 to \$10,000,000	\$50,000 plus \$5,000 for each \$1,800,000 or fraction thereof over \$1,000,000
\$10,000,001 to \$100,000,000	\$75,000 plus \$5,000 for each \$18,000,000 or fraction thereof over \$10,000,000
\$100,000,001 and over	\$100,000

No suit may be commenced on the bond after the expiration of one year following the commission of the act on which the suit is based, except that claims for fraud or mistake are limited to the limitation period provided in section 12-543, paragraph 3. If any injured person commences an action for a judgment to collect on the bond, the injured person shall notify the superintendent of the action in writing at the time of the commencement of the action and shall provide copies of all documents relating to the action to the superintendent on request.

I. Notwithstanding subsection H of this section, the bond required shall be twenty-five thousand dollars for licensees whose investors are limited solely to institutional investors.

J. For THE purposes of subsection I of this section:

1. "Institutional investor" means a state or national bank, a state or federal savings and loan association, a state or federal savings bank, a state or federal credit union, a federal government agency or instrumentality, a quasi-federal government agency, a financial enterprise, a licensed real estate broker or salesman, a profit sharing or pension trust, or an insurance company.

2. "Investor" means any person who directly or indirectly provides funds to a mortgage banker which funds are, or are intended to be, used in the making of a loan, and any person who purchases a loan, or any interest therein, from a mortgage banker or in a transaction that has been directly or indirectly arranged or negotiated by a mortgage banker.

K. Notwithstanding section 35-155, in lieu of the bond described in this section, an applicant for a license or a licensee may deposit with the superintendent a deposit in the form of cash or alternatives to cash in the amount prescribed in subsection H or I of this section, as applicable. The superintendent may accept any of the following as an alternative to cash:

1. Certificates of deposit or investment certificates which are payable or assigned to the state treasurer, issued by banks or savings banks doing business in this state and fully insured by the federal deposit insurance corporation or any successor institution.

2. Certificates of deposit, investment certificates or share accounts which are payable or assigned to the state treasurer, issued by a savings and loan association doing business in this state and fully insured by the federal deposit insurance corporation or any successor institution.

3. Certificates of deposit, investment certificates or share accounts which are payable or assigned to the state treasurer, issued by a credit union doing business in this state and fully insured by the national credit union administration or any successor institution.

L. The superintendent shall deposit the cash or alternatives to cash received under this section with the state treasurer. The state treasurer shall hold the cash or alternatives to cash in the name of this state to guarantee the faithful performance of all legal obligations of the person required to post bond pursuant to this section. The person is entitled to

1 receive any accrued interest earned from the alternatives to cash. The state  
2 treasurer may impose a fee to reimburse the state treasurer for  
3 administrative expenses. The fee shall not exceed ten dollars for each cash  
4 or alternatives to cash deposit and shall be paid by the applicant or  
5 licensee. The state treasurer may prescribe rules relating to the terms and  
6 conditions of each type of security provided by this section.

7 M. In addition to such other terms and conditions as the  
8 superintendent prescribes by rule or order, the principal amount of the  
9 deposit shall be released only on written authorization of the superintendent  
10 or on the order of a court of competent jurisdiction. The principal amount  
11 of the deposit shall not be released before the expiration of three years  
12 from the first to occur of any of the following:

- 13 1. The date of substitution of a bond for a cash alternative.
- 14 2. The surrender of the license.
- 15 3. The revocation of the license.
- 16 4. The expiration of the license.

17 N. A licensee or an employee of the licensee shall not advertise for  
18 or solicit mortgage banking business in any manner without using the name and  
19 license number as issued on the mortgage banker's principal place of business  
20 license, except that a licensee may also employ or refer to the commonly used  
21 name and any trademarks or service marks of any affiliate. If a license is  
22 issued in the name of a natural person, nothing in the advertising or  
23 solicitation may imply that the license is in the name of another person or  
24 entity. For the purpose of this subsection "advertise" does not include  
25 business cards, radio and television advertising directed at national or  
26 regional markets and promotional items except if those items contain rates or  
27 terms on which a mortgage loan or mortgage banking loan may be obtained.

28 O. A licensee shall not employ any person unless the licensee:

- 29 1. Conducts a reasonable investigation of the background, honesty,  
30 truthfulness, integrity and competency of the employee before hiring.
- 31 2. Keeps a record of the investigation for not less than two years  
32 after termination.

33 P. The licensee is liable for any damage caused by any of his  
34 employees while engaged in the business of making mortgage loans or mortgage  
35 banking loans.

36 Q. A licensee shall comply with the requirements of section 6-114  
37 relating to balloon payments.

38 R. Notwithstanding subsection C, paragraph 4 of this section,  
39 licensees and applicants whose own resources are derived exclusively from  
40 correspondent contracts between mortgage bankers and banks, savings banks,  
41 trust companies, savings and loan associations, credit unions, profit sharing  
42 or pension trusts, consumer lenders or insurance companies shall provide the  
43 superintendent with a current financial statement or that of its parent  
44 company prepared in accordance with generally accepted accounting principles  
45 including:

1 1. A balance sheet prepared within the previous six months and  
2 certified by the licensee. The superintendent may require a more recent  
3 balance sheet.

4 2. A statement of operations and retained earnings and a statement of  
5 changes in financial position provided the applicant has commenced  
6 operations.

7 3. Notes to the financial statement if applicable.

8 S. In addition to the grounds specified in section 6-945, subsection  
9 A, failure of a licensee to operate the business of making mortgage loans or  
10 mortgage banking loans for a continuous period of twelve months or more shall  
11 constitute grounds for revocation of such license. The superintendent, upon  
12 good cause shown, may extend the time for operating such business for a  
13 single fixed period which shall not exceed twelve months.

14 T. IF THE APPLICANT FOR A RENEWAL OF A MORTGAGE BANKER LICENSE IS A  
15 NATURAL PERSON, THE APPLICANT SHALL HAVE SATISFACTORILY COMPLETED TWELVE  
16 CONTINUING EDUCATION UNITS BEFORE SUBMISSION OF THE RENEWAL APPLICATION. IF  
17 THE APPLICANT IS OTHER THAN A NATURAL PERSON, THE DESIGNATED RESPONSIBLE  
18 INDIVIDUAL SHALL HAVE SATISFACTORILY COMPLETED TWELVE CONTINUING EDUCATION  
19 UNITS BEFORE SUBMISSION OF THE RENEWAL APPLICATION.

20 U. A LICENSEE WHO EMPLOYS A LOAN ORIGINATOR SHALL COMPLY WITH SECTION  
21 6-994.

22 Sec. 7. Title 6, chapter 9, Arizona Revised Statutes, is amended by  
23 adding article 4, to read:

#### 24 ARTICLE 4. LOAN ORIGINATORS

##### 25 6-991. Definitions

26 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

27 1. "CONTINUING EDUCATION UNIT" MEANS A CONTINUING EDUCATION COURSE  
28 THAT RELATES TO THE MORTGAGE INDUSTRY OR TO MORTGAGE TRANSACTIONS.

29 2. "LICENSE" MEANS A LICENSE ISSUED UNDER THIS ARTICLE.

30 3. "LICENSEE" MEANS A PERSON LICENSED UNDER THIS ARTICLE.

31 4. "LOAN ORIGINATOR" MEANS A NATURAL PERSON WHO IS AN EMPLOYEE OF A  
32 MORTGAGE BROKER OR MORTGAGE BANKER AND WHO DIRECTLY OR INDIRECTLY SOLICITS  
33 BORROWERS FOR THE PURPOSE OF MAKING MORTGAGE LOANS.

34 5. "MORTGAGE BANKER" MEANS A PERSON WHO IS LICENSED PURSUANT TO  
35 ARTICLE 2 OF THIS CHAPTER.

36 6. "MORTGAGE BROKER" MEANS A PERSON WHO IS LICENSED PURSUANT TO  
37 ARTICLE 1 OF THIS CHAPTER.

38 7. "MORTGAGE LOAN" MEANS A LOAN SECURED BY A MORTGAGE OR DEED OF TRUST  
39 OR ANY LIEN INTEREST ON REAL ESTATE LOCATED IN THIS STATE CREATED WITH THE  
40 CONSENT OF THE OWNER OF THE REAL ESTATE.

##### 41 6-992. Exemptions

42 THIS ARTICLE DOES NOT APPLY TO:

43 1. A NATURAL PERSON EMPLOYED BY A PERSON WHO DOES BUSINESS UNDER ANY  
44 OTHER LAW OF THIS STATE OR LAW OF ANOTHER STATE WHILE REGULATED BY A STATE  
45 AGENCY OF ANOTHER STATE OR THE UNITED STATES RELATING TO BANKS, SAVINGS



1 BANKS, TRUST COMPANIES, SAVINGS AND LOAN ASSOCIATIONS, PROFIT SHARING AND  
2 PENSION TRUSTS, CREDIT UNIONS, INSURANCE COMPANIES OR CONSUMER LENDERS OR  
3 RECEIVERSHIP, INCLUDING DIRECTLY OR INDIRECTLY MAKING, NEGOTIATING OR  
4 OFFERING TO MAKE OR NEGOTIATE A MORTGAGE LOAN IF THE MORTGAGE TRANSACTIONS  
5 ARE REGULATED BY THE OTHER LAW OR ARE UNDER THE JURISDICTION OF A COURT.  
6 EMPLOYEES OF SUBSIDIARIES AND SERVICE CORPORATIONS OF THESE INSTITUTIONS  
7 SHALL BE EXEMPT AND SHALL NOT BE SUBJECT TO THIS ARTICLE IF PREEMPTED BY  
8 FEDERAL LAW.

9 2. A PERSON WHO IS LICENSED PURSUANT TO ARTICLE 1, 2 OR 3 OF THIS  
10 CHAPTER.

11 3. A PERSON WHO IS A RESPONSIBLE INDIVIDUAL PURSUANT TO ARTICLE 1, 2  
12 OR 3 OF THIS CHAPTER.

13 4. AN EMPLOYEE OF A COMMERCIAL MORTGAGE BANKER LICENSED PURSUANT TO  
14 ARTICLE 3 OF THIS CHAPTER.

15 6-993. Licensing of loan originators required; qualifications;  
16 application; bond; fees; renewal

17 A. A PERSON SHALL NOT ACT AS A LOAN ORIGINATOR UNLESS LICENSED UNDER  
18 THIS ARTICLE.

19 B. THE SUPERINTENDENT SHALL NOT GRANT A LOAN ORIGINATOR LICENSE TO A  
20 PERSON, OTHER THAN A NATURAL PERSON. AN APPLICANT FOR AN ORIGINAL LOAN  
21 ORIGINATOR'S LICENSE SHALL:

22 1. HAVE SATISFACTORILY COMPLETED A COURSE OF STUDY FOR LOAN  
23 ORIGINATORS APPROVED BY THE SUPERINTENDENT DURING THE ONE YEAR IMMEDIATELY  
24 PRECEDING THE TIME OF APPLICATION.

25 2. HAVE PASSED A LOAN ORIGINATOR'S EXAMINATION, PURSUANT TO SECTION 6-  
26 997.01, NOT MORE THAN ONE YEAR BEFORE THE GRANTING OF THE LICENSE.

27 C. A PERSON SHALL MAKE AN APPLICATION FOR A LICENSE OR RENEWAL OF A  
28 LICENSE IN WRITING ON THE FORMS, IN THE MANNER AND ACCOMPANIED BY THE  
29 INFORMATION PRESCRIBED BY THE SUPERINTENDENT. THE SUPERINTENDENT MAY REQUIRE  
30 ADDITIONAL INFORMATION ON THE EXPERIENCE, BACKGROUND, HONESTY, TRUTHFULNESS,  
31 INTEGRITY AND COMPETENCY OF THE APPLICANT.

32 D. AN APPLICANT FOR RENEWAL OF A LOAN ORIGINATOR LICENSE SHALL HAVE  
33 SATISFACTORILY COMPLETED TWELVE CONTINUING EDUCATION UNITS BEFORE SUBMISSION  
34 OF THE RENEWAL APPLICATION.

35 E. THE NONREFUNDABLE APPLICATION FEE, PRESCRIBED IN SECTION 6-126,  
36 SHALL ACCOMPANY EACH APPLICATION FOR AN ORIGINAL LOAN ORIGINATOR LICENSE  
37 ONLY. THE SUPERINTENDENT SHALL DEPOSIT THE MONIES, PURSUANT TO SECTIONS  
38 35-146 AND 35-147, IN THE STATE GENERAL FUND.

39 F. EVERY PERSON LICENSED AS A LOAN ORIGINATOR SHALL DEPOSIT WITH THE  
40 SUPERINTENDENT, BEFORE DOING BUSINESS AS A LOAN ORIGINATOR, A BOND EXECUTED  
41 BY THE LOAN ORIGINATOR AS PRINCIPAL AND A SURETY COMPANY AUTHORIZED TO DO  
42 BUSINESS IN THIS STATE AS SURETY. THE BOND SHALL BE CONDITIONED ON THE LOAN  
43 ORIGINATOR'S COMPLIANCE WITH THIS ARTICLE. THE BOND IS PAYABLE TO BOTH OF THE  
44 FOLLOWING:

1           1. ANY PERSON INJURED BY THE WRONGFUL ACT, DEFAULT, FRAUD OR  
2 MISREPRESENTATION OF THE LOAN ORIGINATOR.

3           2. THIS STATE FOR THE BENEFIT OF THE PERSON INJURED.

4           G. NO SUIT MAY BE COMMENCED ON THE BOND AFTER THE EXPIRATION OF ONE  
5 YEAR FOLLOWING THE COMMISSION OF THE ACT ON WHICH THE SUIT IS BASED, EXCEPT  
6 THAT CLAIMS FOR FRAUD OR MISTAKE ARE LIMITED TO THE LIMITATION PERIOD  
7 PROVIDED IN SECTION 12-543, PARAGRAPH 3. IF AN INJURED PERSON COMMENCES AN  
8 ACTION FOR A JUDGMENT TO COLLECT FROM THE BOND, THE INJURED PERSON SHALL  
9 NOTIFY THE SUPERINTENDENT OF THE ACTION IN WRITING AT THE TIME OF THE  
10 COMMENCEMENT OF THE ACTION AND SHALL PROVIDE COPIES OF ALL DOCUMENTS RELATING  
11 TO THE ACTION TO THE SUPERINTENDENT ON REQUEST.

12           H. THE BOND REQUIRED BY THIS SECTION SHALL BE FIVE THOUSAND DOLLARS  
13 FOR EACH LOAN ORIGINATOR.

14           I. NOTWITHSTANDING SECTION 35-155, IN LIEU OF THE BOND DESCRIBED IN  
15 THIS SECTION, AN APPLICANT FOR A LOAN ORIGINATOR LICENSE OR A LICENSEE MAY  
16 DEPOSIT WITH THE SUPERINTENDENT A DEPOSIT IN THE FORM OF CASH OR ALTERNATIVES  
17 TO CASH IN THE SAME AMOUNT AS THE BOND REQUIRED UNDER SUBSECTION G OF THIS  
18 SECTION. THE SUPERINTENDENT MAY ACCEPT ANY OF THE FOLLOWING AS AN  
19 ALTERNATIVE TO CASH:

20           1. CERTIFICATES OF DEPOSITS OR INVESTMENT CERTIFICATES THAT ARE  
21 PAYABLE OR ASSIGNED TO THE STATE TREASURER, ISSUED BY BANKS OR SAVINGS BANKS  
22 DOING BUSINESS IN THIS STATE AND FULLY INSURED BY THE FEDERAL DEPOSIT  
23 INSURANCE CORPORATION OR ANY SUCCESSOR INSTITUTION.

24           2. CERTIFICATES OF DEPOSIT, INVESTMENT CERTIFICATES OR SHARE ACCOUNTS  
25 THAT ARE PAYABLE OR ASSIGNED TO THE STATE TREASURER, ISSUED BY A SAVINGS AND  
26 LOAN ASSOCIATION DOING BUSINESS IN THIS STATE AND FULLY INSURED BY THE  
27 FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY SUCCESSOR INSTITUTION.

28           3. CERTIFICATES OF DEPOSIT, INVESTMENT CERTIFICATES OR SHARE ACCOUNTS  
29 THAT ARE PAYABLE OR ASSIGNED TO THE STATE TREASURER, ISSUED BY A CREDIT UNION  
30 DOING BUSINESS IN THIS STATE AND FULLY INSURED BY THE NATIONAL CREDIT UNION  
31 ADMINISTRATION OR ANY SUCCESSOR INSTITUTION.

32           J. THE SUPERINTENDENT SHALL DEPOSIT THE CASH OR ALTERNATIVES TO CASH  
33 RECEIVED UNDER THIS SECTION WITH THE STATE TREASURER. THE STATE TREASURER  
34 SHALL HOLD THE CASH OR ALTERNATIVES TO CASH IN THE NAME OF THIS STATE TO  
35 GUARANTEE THE FAITHFUL PERFORMANCE OF ALL LEGAL OBLIGATIONS OF THE PERSON  
36 REQUIRED TO POST BOND PURSUANT TO THIS SECTION. THE PERSON IS ENTITLED TO  
37 RECEIVE ANY ACCRUED INTEREST EARNED FROM THE ALTERNATIVES TO CASH. THE STATE  
38 TREASURER MAY IMPOSE A FEE TO REIMBURSE THE STATE TREASURER FOR  
39 ADMINISTRATIVE EXPENSES. THE FEE SHALL NOT EXCEED TEN DOLLARS FOR EACH CASH  
40 OR ALTERNATIVES TO CASH DEPOSIT AND SHALL BE PAID BY THE APPLICANT OR  
41 LICENSEE.

42           K. THE STATE TREASURER MAY PRESCRIBE RULES RELATING TO THE TERMS AND  
43 CONDITIONS OF EACH TYPE OF SECURITY PROVIDED BY THIS SECTION.

44           L. IN ADDITION TO OTHER TERMS AND CONDITIONS THE SUPERINTENDENT  
45 PRESCRIBES BY RULE OR ORDER, THE PRINCIPAL AMOUNT OF THE DEPOSIT SHALL BE

1 RELEASED ONLY ON WRITTEN AUTHORIZATION OF THE SUPERINTENDENT OR ON THE ORDER  
2 OF A COURT OF COMPETENT JURISDICTION. THE PRINCIPAL AMOUNT OF THE DEPOSIT  
3 SHALL NOT BE RELEASED BEFORE THE EXPIRATION OF THREE YEARS FROM THE FIRST TO  
4 OCCUR OF ANY OF THE FOLLOWING:

- 5 1. THE DATE OF SUBSTITUTION OF A BOND FOR A CASH ALTERNATIVE.
- 6 2. THE SURRENDER OF THE LICENSE.
- 7 3. THE REVOCATION OF THE LICENSE.
- 8 4. THE EXPIRATION OF THE LICENSE.

9 M. A LOAN ORIGINATOR SHALL NOT ADVERTISE FOR OR SOLICIT MORTGAGE  
10 BUSINESS IN ANY MANNER WITHOUT USING THE NAME AND LICENSE NUMBER AS ISSUED ON  
11 THE EMPLOYING MORTGAGE BROKER'S OR MORTGAGE BANKER'S PRINCIPAL PLACE OF  
12 BUSINESS LICENSE AND SHALL NOT ADVERTISE OR SOLICIT MORTGAGE BUSINESS WITHOUT  
13 THE APPROVAL OF THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER.

14 N. A LICENSE IS NOT TRANSFERABLE OR ASSIGNABLE.

15 O. THE LOAN ORIGINATOR IS LIABLE FOR ANY DAMAGE THE LOAN ORIGINATOR  
16 CAUSES WHILE ACTING AS AN EMPLOYEE OF THE EMPLOYING MORTGAGE BROKER OR  
17 MORTGAGE BANKER LICENSEE.

18 P. THE EXAMINATION AND COURSE OF STUDY REQUIREMENTS OF THIS SECTION  
19 SHALL BE WAIVED BY THE SUPERINTENDENT FOR ANY PERSON APPLYING FOR A LOAN  
20 ORIGINATOR LICENSE WHO, WITHIN THE SIX MONTHS IMMEDIATELY BEFORE THE  
21 SUBMISSION OF THE APPLICATION, HAS BEEN A MORTGAGE BROKER OR MORTGAGE BANKER  
22 LICENSEE OR A RESPONSIBLE INDIVIDUAL PURSUANT TO THIS CHAPTER FOR AT LEAST  
23 THREE YEARS.

24 Q. THE COURSE OF STUDY REQUIREMENT OF THIS SECTION SHALL BE WAIVED BY  
25 THE SUPERINTENDENT FOR ANY PERSON APPLYING FOR A LOAN ORIGINATOR LICENSE WHO  
26 HAS BEEN EMPLOYED BY A MORTGAGE BROKER OR MORTGAGE BANKER LICENSEE IN THE  
27 CAPACITY OF A LOAN ORIGINATOR FOR ONE YEAR IMMEDIATELY BEFORE THE SUBMISSION  
28 OF THE APPLICATION.

29 R. EACH PERSON ACTING IN THE CAPACITY OF A LOAN ORIGINATOR BEFORE THE  
30 EFFECTIVE DATE OF THIS ACT SHALL HAVE NINETY DAYS TO APPLY FOR A LOAN  
31 ORIGINATOR LICENSE. IF THE PERSON IS NOT GIVEN THE OPPORTUNITY TO COMPLETE  
32 THE COURSE OF STUDY OR THE EXAMINATION DURING THAT TIME, THE PERSON SHALL  
33 HAVE AN ADDITIONAL NINETY DAYS TO COMPLY WITH THIS REQUIREMENT. HOWEVER, THE  
34 PERSON SHALL HAVE NO MORE THAN ONE HUNDRED EIGHTY DAYS TO APPLY FOR A LOAN  
35 ORIGINATOR LICENSE.

36 6-994. Issuance of license; renewal; inactive status;  
37 application; fee

38 A. THE SUPERINTENDENT, ON DETERMINING THAT THE APPLICANT IS QUALIFIED  
39 AND HAS PAID THE FEES, SHALL ISSUE A LOAN ORIGINATOR'S LICENSE TO THE  
40 APPLICANT EVIDENCED BY A CONTINUOUS CERTIFICATE. THE SUPERINTENDENT SHALL  
41 GRANT OR DENY A LICENSE WITHIN ONE HUNDRED TWENTY DAYS AFTER RECEIVING THE  
42 COMPLETED APPLICATION AND FEES. AN APPLICANT WHO HAS BEEN DENIED A LICENSE  
43 MAY NOT REAPPLY FOR A LICENSE BEFORE ONE YEAR FROM THE DATE OF THE PREVIOUS  
44 APPLICATION.

1           B. ON ISSUANCE OF THE LICENSE, THE SUPERINTENDENT SHALL KEEP THE LOAN  
2 ORIGINATOR'S LICENSE UNTIL A MORTGAGE BROKER OR MORTGAGE BANKER LICENSED  
3 PURSUANT TO THIS CHAPTER EMPLOYS THE LOAN ORIGINATOR AND THE EMPLOYER  
4 PROVIDES A WRITTEN NOTICE THAT THE EMPLOYER HAS HIRED THE LOAN ORIGINATOR.  
5 THE EMPLOYER SHALL PROVIDE THE NOTICE BEFORE THE LOAN ORIGINATOR BEGINS  
6 WORKING FOR THE EMPLOYEE. THE NOTICE SHALL BE FROM AN OFFICER OR OTHER  
7 PERSON AUTHORIZED BY THE EMPLOYER. THE NOTICE SHALL CONTAIN A REQUEST FOR  
8 THE LOAN ORIGINATOR'S LICENSE AND SHALL BE DATED, SIGNED AND NOTARIZED. ON  
9 RECEIPT OF THE REQUEST, THE SUPERINTENDENT SHALL FORWARD THE LOAN  
10 ORIGINATOR'S LICENSE TO THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER.

11           C. LICENSES SHALL BE ISSUED FOR A TWO YEAR PERIOD.

12           D. A LOAN ORIGINATOR SHALL MAKE APPLICATION FOR RENEWAL ON FORMS  
13 PRESCRIBED BY THE SUPERINTENDENT. THE APPLICATION SHALL INCLUDE ORIGINAL  
14 CERTIFICATES EVIDENCING THE LOAN ORIGINATOR'S SUCCESSFUL COMPLETION OF TWELVE  
15 CONTINUING EDUCATION UNITS FOR A TWO YEAR PERIOD.

16           E. A LOAN ORIGINATOR SHALL PAY THE RENEWAL FEE PRESCRIBED BY SECTION  
17 6-126 EVERY TWO YEARS ON OR BEFORE DECEMBER 31. LICENSES NOT RENEWED BY  
18 DECEMBER 31 ARE SUSPENDED AND THE LICENSEE SHALL NOT ACT AS A LOAN ORIGINATOR  
19 UNTIL THE LICENSE IS RENEWED OR A NEW LICENSE IS ISSUED PURSUANT TO THIS  
20 ARTICLE. A PERSON MAY RENEW A SUSPENDED LICENSE BY:

21           1. PAYING THE RENEWAL FEE PLUS TWENTY-FIVE DOLLARS FOR EACH DAY AFTER  
22 DECEMBER 31 THAT A LICENSE RENEWAL FEE IS NOT RECEIVED BY THE SUPERINTENDENT.

23           2. APPLYING FOR RENEWAL AS PRESCRIBED BY THE SUPERINTENDENT.

24           F. LICENSES THAT ARE NOT RENEWED BY JANUARY 31 EXPIRE. A LICENSE  
25 SHALL NOT BE GRANTED TO THE HOLDER OF AN EXPIRED LICENSE EXCEPT AS PROVIDED  
26 IN THIS ARTICLE FOR THE ISSUANCE OF AN ORIGINAL LICENSE.

27           G. FROM DECEMBER 1 THROUGH DECEMBER 31 OF EACH RENEWAL PERIOD, A  
28 LICENSEE MAY REQUEST INACTIVE STATUS FOR THE FOLLOWING LICENSE PERIOD. THE  
29 LICENSE SHALL BE PLACED ON INACTIVE STATUS AFTER PAYMENT TO THE  
30 SUPERINTENDENT OF THE INACTIVE STATUS RENEWAL FEE PRESCRIBED IN SECTION  
31 6-126, SUBSECTION F AND THE SURRENDER OF THE LICENSE TO THE SUPERINTENDENT.  
32 DURING INACTIVE STATUS, AN INACTIVE LICENSEE IS NOT REQUIRED TO MAINTAIN A  
33 BOND AND SHALL NOT ACT AS A LOAN ORIGINATOR. A LICENSEE MAY NOT BE ON  
34 INACTIVE STATUS FOR MORE THAN TWO CONSECUTIVE RENEWAL PERIODS IN ANY TEN YEAR  
35 PERIOD. THE LICENSE EXPIRES ON VIOLATION OF THIS SUBSECTION.

36           H. AT RENEWAL TIME AN INACTIVE LICENSEE MAY RETURN TO ACTIVE STATUS BY  
37 DOING ALL OF THE FOLLOWING:

38           1. PROVIDING THE SUPERINTENDENT WITH EVIDENCE THAT THE LICENSEE HAS  
39 MET THE REQUIREMENTS OF SECTION 6-993, SUBSECTION B.

40           2. MAKING A WRITTEN REQUEST TO THE SUPERINTENDENT FOR REACTIVATION.

41           3. PAYING THE ANNUAL ASSESSMENT.

42           4. PROVIDING THE SUPERINTENDENT WITH PROOF THAT THE LICENSEE MEETS ALL  
43 OF THE OTHER REQUIREMENTS FOR ACTING AS A LOAN ORIGINATOR, INCLUDING REQUIRED  
44 BOND COVERAGE OR THE DEPOSIT OF A CASH ALTERNATIVE.

I. THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER SHALL KEEP AND MAINTAIN AT THE PRINCIPAL PLACE OF BUSINESS IN THIS STATE THE LOAN ORIGINATOR'S LICENSE DURING THE LOAN ORIGINATOR'S EMPLOYMENT. A COPY OF THE LOAN ORIGINATOR'S LICENSE SHALL BE PROMINENTLY DISPLAYED IN THE OFFICE OF THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER.

J. IF THE RESIDENCE ADDRESS OF THE LOAN ORIGINATOR IS CHANGED, THE LOAN ORIGINATOR SHALL IMMEDIATELY NOTIFY THE SUPERINTENDENT OF THE CHANGE AND THE SUPERINTENDENT SHALL ENDORSE THE CHANGE OF ADDRESS ON THE LICENSE FOR A FEE AS PRESCRIBED IN SECTION 6-126.

K. THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER SHALL NOTIFY THE SUPERINTENDENT WITHIN FIVE BUSINESS DAYS IF THE MORTGAGE BROKER OR MORTGAGE BANKER CEASES TO EMPLOY THE LICENSEE. WITHIN THE FIVE BUSINESS DAYS PRESCRIBED BY THIS SUBSECTION, THE FORMER EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER SHALL DELIVER THE ORIGINAL LOAN ORIGINATOR'S LICENSE TO THE NEW EMPLOYER. IF THE NEW EMPLOYER IS NOT A MORTGAGE BROKER OR MORTGAGE BANKER LICENSED PURSUANT TO THIS CHAPTER, THE FORMER EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER SHALL DELIVER THE LOAN ORIGINATOR'S LICENSE TO THE SUPERINTENDENT WITHIN THE FIVE BUSINESS DAYS PRESCRIBED BY THIS SUBSECTION. IF THE FORMER EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER FAILS TO DELIVER THE ORIGINAL LOAN ORIGINATOR'S LICENSE TO THE NEW EMPLOYER OR TO THE SUPERINTENDENT AS PRESCRIBED BY THIS SUBSECTION, THE SUPERINTENDENT SHALL ISSUE A REPLACEMENT OF THE LOAN ORIGINATOR'S LICENSE TO THE NEW EMPLOYER FOR A FEE AS PRESCRIBED IN SECTION 6-126. THE FORMER EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER SHALL RETURN THE ORIGINAL LOAN ORIGINATOR'S LICENSE TO THE SUPERINTENDENT AND SHALL PAY THE FEE FOR THE REPLACEMENT LICENSE.

6-995. Denial, suspension or revocation of licenses

A. THE SUPERINTENDENT MAY DENY A LICENSE TO A PERSON OR SUSPEND OR REVOKE A LICENSE IF THE SUPERINTENDENT FINDS THAT AN APPLICANT OR LICENSEE:

1. IS NOT A PERSON OF HONESTY, TRUTHFULNESS AND GOOD CHARACTER.
2. HAS VIOLATED ANY LAW, RULE OR ORDER.
3. REFUSES OR FAILS, WITHIN A REASONABLE TIME, TO FURNISH ANY INFORMATION OR MAKE ANY REPORT THAT THE SUPERINTENDENT REQUIRES.
4. HAS BEEN CONVICTED IN ANY STATE OF A FELONY OR ANY CRIME OF BREACH OF TRUST OR DISHONESTY.

5. HAS HAD A FINAL JUDGMENT ENTERED AGAINST THE APPLICANT OR LICENSEE IN A CIVIL ACTION ON GROUNDS OF FRAUD, DECEIT OR MISREPRESENTATION AND THE CONDUCT ON WHICH THE JUDGMENT IS BASED INDICATES THAT IT WOULD BE CONTRARY TO THE INTEREST OF THE PUBLIC TO PERMIT THE PERSON TO BE LICENSED.

6. HAS HAD AN ADMINISTRATIVE AGENCY OF THIS STATE, THE FEDERAL GOVERNMENT OR ANY OTHER STATE OR TERRITORY OF THE UNITED STATES ENTER AN ORDER AGAINST THE APPLICANT OR LICENSEE INVOLVING FRAUD, DECEIT OR MISREPRESENTATION AND THE FACTS RELATING TO THE ORDER INDICATE THAT IT WOULD BE CONTRARY TO THE INTEREST OF THE PUBLIC TO PERMIT THE PERSON TO BE LICENSED.

1           7. HAS MADE A MATERIAL MISSTATEMENT OR SUPPRESSED OR WITHHELD  
2 INFORMATION ON THE APPLICATION FOR A LICENSE OR ANY DOCUMENT REQUIRED TO BE  
3 FILED WITH THE SUPERINTENDENT.

4           B. IF A LICENSEE OR A PERSON WHO APPLIED FOR A LICENSE UNDER THIS  
5 ARTICLE IS INDICTED OR INFORMED AGAINST FOR FORGERY, EMBEZZLEMENT, OBTAINING  
6 MONEY UNDER FALSE PRETENSES, EXTORTION, CRIMINAL CONSPIRACY TO DEFRAUD OR A  
7 LIKE OFFENSE OR OFFENSES, AND A CERTIFIED COPY OF THE INDICTMENT OR  
8 INFORMATION OR OTHER PROPER EVIDENCE OF THE INDICTMENT OR INFORMATION IS  
9 FILED WITH THE SUPERINTENDENT, THE SUPERINTENDENT MAY SUSPEND THE LICENSE OR  
10 REFUSE TO GRANT A LICENSE TO AN APPLICANT PENDING TRIAL ON THE INDICTMENT.

11           6-996. Required records

12           EVERY LOAN ORIGINATOR SHALL KEEP AND MAINTAIN AT ALL TIMES CORRECT AND  
13 COMPLETE RECORDS AS PRESCRIBED BY THE SUPERINTENDENT TO ENABLE THE  
14 SUPERINTENDENT TO DETERMINE WHETHER THE LICENSEE IS CONDUCTING BUSINESS IN  
15 ACCORDANCE WITH THIS ARTICLE.

16           6-997. Examination committee; membership

17           A. THE SUPERINTENDENT SHALL ESTABLISH AN EXAMINATION COMMITTEE TO  
18 CREATE, PERIODICALLY UPDATE AND ESTABLISH STANDARDS FOR PASSING AN  
19 EXAMINATION FOR LOAN ORIGINATORS.

20           B. THE COMMITTEE SHALL CONSIST OF FIVE MEMBERS WHO ARE APPOINTED BY  
21 THE SUPERINTENDENT. THE MEMBERS SHALL SERVE STAGGERED TWO YEAR TERMS. FOUR  
22 OF THE MEMBERS SHALL BE MORTGAGE BROKER OR MORTGAGE BANKER LICENSEES AND  
23 SHALL BE APPOINTED FROM NOMINATIONS SUBMITTED BY MORTGAGE BROKER OR MORTGAGE  
24 BANKER LICENSEES. ONE OF THE MEMBERS SHALL BE AN EMPLOYEE OF THE DEPARTMENT.

25           C. LICENSEES WHO SERVE AS MEMBERS OF THE COMMITTEE SHALL NOT RECEIVE  
26 COMPENSATION.

27           6-997.01. Examinations; fees; definitions

28           A. EACH APPLICANT FOR AN ORIGINAL LICENSE, BEFORE ISSUANCE OF THE  
29 LICENSE, SHALL TAKE AND PASS A WRITTEN EXAMINATION GIVEN UNDER THE  
30 SUPERVISION OF THE DEPARTMENT. THE EXAMINATION MUST REASONABLY EXAMINE THE  
31 APPLICANT'S KNOWLEDGE OF:

- 32           1. THE OBLIGATIONS BETWEEN PRINCIPAL AND AGENT.
- 33           2. THE APPLICABLE CANONS OF BUSINESS ETHICS.
- 34           3. THE PROVISIONS OF THIS ARTICLE AND THE RULES ADOPTED UNDER THIS  
35 ARTICLE.
- 36           4. THE ARITHMETICAL COMPUTATIONS COMMON TO MORTGAGE BROKERAGE.
- 37           5. THE PRINCIPLES OF REAL ESTATE LENDING.
- 38           6. THE GENERAL PURPOSES AND LEGAL EFFECT OF MORTGAGES, DEEDS OF TRUST  
39 AND SECURITY AGREEMENTS.

40           B. THE EXAMINATION IS SUBJECT TO THE SUPERINTENDENT'S APPROVAL.

41           C. THE DEPARTMENT SHALL ADMINISTER THE EXAMINATION TO APPLICANTS FOR  
42 LICENSES AT LEAST ONCE EVERY SIX MONTHS. THE DEPARTMENT SHALL REASONABLY  
43 PRESCRIBE THE TIME, PLACE AND CONDUCT OF EXAMINATIONS AND COLLECT A FEE FOR  
44 ADMINISTRATION OF THE EXAMINATION TO BE ASSESSED TO ALL PERSONS TAKING THE  
45 EXAMINATION.

1 D. THE FEE IS FIFTY DOLLARS PER EXAMINATION. AN APPLICANT MAY NOT TAKE  
2 THE EXAMINATION MORE THAN TWO TIMES WITHIN A TWELVE MONTH PERIOD.

3 E. ALL EXAMINATIONS SHALL BE GIVEN, CONDUCTED AND GRADED IN A FAIR AND  
4 IMPARTIAL MANNER AND WITHOUT UNFAIR DISCRIMINATION BETWEEN INDIVIDUALS  
5 EXAMINED. THE COMMITTEE SHALL INFORM THE APPLICANT OF THE RESULT OF THE  
6 EXAMINATION WITHIN THIRTY DAYS OF THE EXAMINATION.

7 F. FOR THE PURPOSES OF THIS SECTION "APPLICANT" MEANS A PERSON WHO HAS  
8 SUBMITTED A COMPLETED APPLICATION IN THE FORM PRESCRIBED BY THE  
9 SUPERINTENDENT, ACCOMPANIED BY A LETTER OF INQUIRY TO A SURETY COMPANY  
10 AUTHORIZED TO DO BUSINESS IN THIS STATE REGARDING THE PROCUREMENT OF A BOND  
11 PURSUANT TO SECTION 6-993, TO BE ISSUED ON COMPLETION OF ALL REQUIREMENTS FOR  
12 THE GRANTING OF A LICENSE.

13 6-998. Prohibited acts

14 A. A LOAN ORIGINATOR ACTING ON THE LOAN ORIGINATOR'S OWN BEHALF SHALL  
15 NOT ACCEPT ANY MONIES OR DOCUMENTS IN CONNECTION WITH AN APPLICATION FOR A  
16 MORTGAGE LOAN.

17 B. A PERSON IS NOT ENTITLED TO RECEIVE COMPENSATION IN CONNECTION WITH  
18 ARRANGING FOR OR NEGOTIATING A MORTGAGE LOAN IF THE PERSON IS NOT LICENSED  
19 PURSUANT TO THIS CHAPTER. A LOAN ORIGINATOR SHALL NOT PAY COMPENSATION TO,  
20 CONTRACT WITH OR EMPLOY AS AN INDEPENDENT CONTRACTOR A PERSON WHO IS ACTING  
21 AS A LOAN ORIGINATOR, MORTGAGE BROKER, MORTGAGE BANKER OR COMMERCIAL MORTGAGE  
22 BANKER BUT WHO IS NOT LICENSED UNDER THIS CHAPTER.

23 C. A LOAN ORIGINATOR ACTING ON THE LOAN ORIGINATOR'S OWN BEHALF SHALL  
24 NOT ADVERTISE, DISPLAY, DISTRIBUTE, BROADCAST OR TELEVISE, OR CAUSE OR PERMIT  
25 TO BE ADVERTISED, DISPLAYED, DISTRIBUTED, BROADCAST OR TELEVISED, IN ANY  
26 MANNER, ANY SOLICITATION OF MORTGAGE BUSINESS.

27 D. A LOAN ORIGINATOR SHALL NOT RECORD OR CAUSE TO BE RECORDED ANY  
28 DOCUMENT THAT WOULD GIVE RISE TO LIABILITY UNDER SECTION 33-420.

29 E. A LOAN ORIGINATOR SHALL NOT, FOR COMPENSATION, EITHER DIRECTLY OR  
30 INDIRECTLY MAKE OR NEGOTIATE OR OFFER TO MAKE OR NEGOTIATE A LOAN THAT IS  
31 EITHER:

32 1. LESS THAN FIVE THOUSAND DOLLARS.

33 2. NOT SECURED BY A MORTGAGE OR DEED OF TRUST OR OTHER LIEN INTEREST  
34 IN REAL PROPERTY.

35 F. A LOAN ORIGINATOR WHO IS EMPLOYED BY A MORTGAGE BROKER OR MORTGAGE  
36 BANKER TO ACT IN THE CAPACITY OF THE MORTGAGE BROKER OR MORTGAGE BANKER SHALL  
37 NOT BE CONCURRENTLY EMPLOYED BY ANY OTHER MORTGAGE BROKER OR MORTGAGE BANKER.

38 G. A LOAN ORIGINATOR SHALL NOT COLLECT COMPENSATION FOR RENDERING  
39 SERVICES AS A REAL ESTATE BROKER OR REAL ESTATE SALESPERSON LICENSED PURSUANT  
40 TO TITLE 32, CHAPTER 20 UNLESS BOTH OF THE FOLLOWING OCCUR:

41 1. THE LOAN ORIGINATOR IS LICENSED PURSUANT TO TITLE 32, CHAPTER 20.

42 2. THE EMPLOYING MORTGAGE BROKER OR MORTGAGE BANKER HAS DISCLOSED TO  
43 THE PERSON FROM WHOM THE COMPENSATION IS COLLECTED THAT THE LOAN ORIGINATOR  
44 IS RECEIVING COMPENSATION BOTH FOR MORTGAGE BROKER SERVICES, IF APPLICABLE,  
45 AND FOR REAL ESTATE BROKER OR REAL ESTATE SALESPERSON SERVICES.

1 H. A LOAN ORIGINATOR SHALL NOT ACCEPT ANY ASSIGNMENT OF THE BORROWER'S  
2 WAGES OR SALARY IN CONNECTION WITH ACTIVITIES GOVERNED BY THIS ARTICLE.

3 I. A LOAN ORIGINATOR SHALL NOT RECEIVE OR DISBURSE MONIES IN SERVICING  
4 OR ARRANGING A MORTGAGE LOAN.

5 J. A LOAN ORIGINATOR SHALL NOT MAKE A FALSE PROMISE OR  
6 MISREPRESENTATION OR CONCEAL AN ESSENTIAL OR MATERIAL FACT IN THE COURSE OF  
7 THE MORTGAGE BROKER BUSINESS.

8 K. A LOAN ORIGINATOR SHALL NOT FAIL TO TRUTHFULLY ACCOUNT FOR THE  
9 MONIES BELONGING TO A PARTY TO A MORTGAGE LOAN TRANSACTION OR FAIL TO  
10 DISBURSE MONIES IN ACCORDANCE WITH THE EMPLOYING MORTGAGE BROKER OR MORTGAGE  
11 BANKER AGREEMENTS.

12 L. A LOAN ORIGINATOR SHALL NOT ENGAGE IN ILLEGAL OR IMPROPER BUSINESS  
13 PRACTICES.

14 M. A LOAN ORIGINATOR SHALL NOT REQUIRE A PERSON SEEKING A LOAN SECURED  
15 BY REAL PROPERTY TO OBTAIN PROPERTY INSURANCE COVERAGE IN AN AMOUNT THAT  
16 EXCEEDS THE REPLACEMENT COST OF THE IMPROVEMENTS AS ESTABLISHED BY THE  
17 PROPERTY INSURER.

18 6-999. Noncompliance not to affect validity of loan

19 A FAILURE TO COMPLY WITH THIS ARTICLE DOES NOT AFFECT THE VALIDITY OR  
20 ENFORCEABILITY OF ANY DEBT, MORTGAGE, DEED OF TRUST OR ANY OTHER LIEN  
21 INTEREST ON REAL ESTATE. A PERSON ACQUIRING A MORTGAGE LOAN OR ANY INTEREST  
22 IN A MORTGAGE LOAN AS MORTGAGEE OR BENEFICIARY OR AS AN ASSIGNEE, HOLDER OR  
23 TRANSFEREE OR AS A PLEDGEE OR THE HOLDER OF A SECURITY INTEREST IS NOT  
24 REQUIRED TO ASCERTAIN WHETHER A VIOLATION OF THIS ARTICLE HAS OCCURRED.

25 Sec. 8. Heading change

26 The chapter heading of title 6, chapter 9, Arizona Revised Statutes, is  
27 changed from "MORTGAGE BROKERS AND MORTGAGE BANKERS" to "MORTGAGE BROKERS,  
28 MORTGAGE BANKERS AND LOAN ORIGINATORS".

29 Sec. 9. Continuing education unit requirements; mortgage  
30 brokers and mortgage bankers

31 A. If this act is effective on or before June 30, 2003, the applicant  
32 for renewal shall complete the continuing education units required pursuant  
33 to sections 6-903 and 6-943, Arizona Revised Statutes, by December 31, 2003.

34 B. Notwithstanding subsection A of this section, the continuing  
35 education units shall be completed by March 31, 2004.

36 Sec. 10. Requirements for enactment; two-thirds vote

37 Pursuant to article IX, section 22, Constitution of Arizona, this act  
38 is effective only on the affirmative vote of at least two-thirds of the  
39 members of each house of the legislature and is effective immediately on the  
40 signature of the governor or, if the governor vetoes this act, on the  
41 subsequent affirmative vote of at least three-fourths of the members of each  
42 house of the legislature.